

SECTION III--ACCOUNTING RECORDS

ACCOUNTING RECORDS

This section provides an overview of the accounting records and the flow of information through the accounting system. Every financial transaction of the school must be recorded in the accounting records. These records consist of forms and books including:

- source documents - evidence of original transactions
- books of original entry - registers or journals in which the accounting detail of each transaction is recorded
- books of final entry - primarily the general ledger, supported by subsidiary ledgers in which a summary of the detail from the books of original entry is posted
- financial statements - forms in which the result of all prior transactions are reported to show financial position and results of operations

SOURCE DOCUMENTS

The details of financial transactions are usually described on various documents received by or produced within the school system. These documents provide input into the system. The purchase of supplies or materials will produce a purchase order (if used), an invoice and/or statement and a voucher. Each of these documents provide input into various stages of the system either as a control device or authorization of the transaction.

Receipts issued by the business manager for payment of taxes and various other resources which provide revenue to the school are source documents. Any document that initiates or controls a financial transaction within the school should be considered a source document, be retained and be recorded in the books of original entry.

Receipts:

A pre-numbered, duplicate receipt should be written for all money received by the school district. This would include amounts deposited directly to the school district bank account. A receipt serves several purposes:

1. It provides a proof of payment for the payer.
2. It identifies the individual to whom payment is made.
3. It identifies when the payment was made.
4. It provides controls through a means of accountability for money received by the school district.
5. It provides a reference for recording money received by the school district in an orderly manner.

Receipts issued should contain the following information:

1. The name of the school district.
2. The name of the payer.

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3. The date the receipt was written.
4. The number of the receipt. (Receipts should be prenumbered by the printer with sequential numbers.)
5. The amount received.
6. A description of what the money was received for.
7. The signature of the person issuing the receipt.
8. The fund and account to which the money will be credited (the coding).

An example of what a receipt might look like is presented at Illustration 1.

A school district may want to use one receipt form for money received for all funds or may want to use different type receipts for different funds. The number of forms used will be left to the discretion of each school district.

Receipts should be made in duplicate with the original going to the payer and the duplicate being retained by the school district for recording in the receipt journal. All copies of receipts which are voided should be retained in the receipt book.

Money received by a school district should be deposited intact on a current basis, preferably daily but at least weekly. Depositing intact means the deposit should equal the total receipts issued since the last deposit.

The nature of some receipts will require supporting documents be maintained by the school district. Examples of such receipts are food service sales and admissions to school functions.

Receipts written for admissions collected at school functions should be supported by tally sheets similar to that shown at Illustration 2. The school function, date held, ticket seller, beginning change, type of ticket, value of ticket and beginning ticket number portions of the tally sheet should be filled in by the business office prior to giving the tally sheet, change and tickets to the ticket seller. The completed tally sheet, cash and unused tickets should be submitted to the business office as soon after the school function as possible. The business office should check the tally sheet, count the cash and issue a receipt to the ticket seller for the amount of sales remitted.

Unused tickets should be kept in a safe or locked file drawer when not in use.

Purchase Order: (Optional)

A purchase order is a document which authorizes a vendor to deliver described merchandise or materials at a specified price. Upon acceptance by a vendor, a purchase order becomes a contract.

The purpose of a purchase order is to provide a control over purchases. Some of the things it will do is to eliminate duplicate ordering, or maintain expenses within budgets, to provide a record of what is on order and what has been received and to control the cash flow.

An example of a purchase order is shown at Illustration 3.

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The purchasing and related accounting procedures should consist of the following steps: (1) preparing the requisition, (2) securing prices and bid specifications, (3) receiving purchase authority, (4) placing orders, (5) receiving the merchandise, (6) receiving the invoice, and (7) paying for the merchandise.

These steps require a systematic approach and may be accomplished as outlined in the following paragraphs.

The department that is requesting the supplies and materials should issue a purchase order in triplicate showing the items requested and the estimated cost thereof. If the costs exceed the bid requirements, bid specifications should also be drawn up. The order is then taken to the business manager for approval to insure that budget authority exists for these items. In this manner the person authorizing the purchase is aware that the items have been provided for in the budget and will avoid any overexpenditure of the budget.

After the purchase authorization is granted, and bids are accepted, the third copy of the purchase order is returned to the business manager for encumbrance of the budget, numbering and filing. The budget is encumbered through the use of a "Purchase Order Journal" in which purchase orders are numerically listed and appropriations for the fund, activity and object are encumbered for the estimated costs. This is done by a debit to "Encumbrances" and a credit to "Reserve for Encumbrances."

The second copy of the purchase order is retained in the department requesting the purchase and is filed until the goods are received. The original copy is sent to the vendor as his authorization to sell and/or ship merchandise to the school. Along with the original copy of the purchase order, a voucher should be sent to the vendor to be filled in, signed and returned with the invoice.

When the merchandise is received by the department, the second copy of the purchase order is documented as to the receipt of the merchandise and is returned to the business manager who compares it with the third copy on file in the business office. If they are in agreement they are filed in an unpaid purchase order file.

Upon receipt of the vendor's invoice and a signed voucher, a comparison is made against the unpaid purchase order. If all agree in items, quantities and prices, the voucher is numbered, coded, and recorded in the check register as an expenditure. Simultaneously an entry is made in the general journal to debit the "Reserve for Encumbrances" and credit "Encumbrances."

These documents can then be forwarded to the governing body for approval and payment.

The triplicate purchase order serves as a requisition, a purchase authorization, a budget control document and a receiving document. The voucher serves as a payment authorization. This procedure assures that no merchandise is paid for unless actually budgeted, ordered and received.

Claim Vouchers:

A sample claim voucher is presented as Illustration 4.

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A claim voucher should be prepared for all school expenditures except regular payroll. Vouchers must be coded for the appropriate fund(s) and expenditure classification(s).

Two declarations are shown on the lower part of the voucher. The first declaration is for the claimant's signature and it must be signed for personal services performed by school district employees, travel reimbursements and contracted services. Claims for supplies and materials may be signed by the appropriate authorized agent of the district under the second declaration.

A checklist for auditing claim vouchers by the business manager or other designated official before they are approved for payment should include but not be limited to the following items:

- Mathematical accuracy
- Legality
- Proper supporting documents
- Properly itemized
- Properly verified
- Sales tax charged where applicable
- Discounts available properly taken

Warrants:

All school district disbursements should be made by check. The check should contain the name of the bank, date, name of the payee, amount, name of the school district, and the signature of the business manager and presiding officer of the board. If the signature of the business manager and/or the presiding officer of the board is affixed through the use of a signature stamp, access to these stamps must be controlled at all times. The business manager **MUST NOT** have access to the Board President's signature stamp.

The business manager should have sufficient documentation or support before any check is issued.

Checks which are not paid for want of funds should be registered and handled in accordance with SDCL 13-18-9 through 13.

BOOKS OF ORIGINAL ENTRY

Books of original entry are internal accounting registers/journals in which the accounting information from the source documents is first recorded. The detail of these transactions is recorded from the source documents to one of the following books of original entry (as appropriate):

- General Journal - record all noncash transactions (e.g., opening entries, adjusting entries, closing entries, investment transactions and transfers)
- Cash Receipts Journal - record all cash receipts in numerical order, for all cash (includes checks) collections
- Check Register - record all checks issued in numerical order

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- Payroll Journal - record all payroll checks issued by the school (optional)
- Purchase Order Journal - record all purchase orders issued (optional)

Journals

General Journal

Various journals are used to record the transactions of the school. On the basis of evidence provided by source documents, the transactions are first entered in chronological order in these journals or books of original entry. The first such journal is the general journal. The general journal is used to record noncash transactions. In other words, any transaction that does not include the issuance of a receipt or a warrant should be recorded in the general journal. Examples of this type of transaction might include opening entries, interfund transfers of resources, investment transactions and adjusting and closing entries. These journal entries are individually posted to the general ledger as they occur.

The general journal should show a consecutive posting reference number, the date of the journal entry, the name of the funds and accounts to be credited, the fund and account numbers, and the amount of the debit and credit to each fund and account. Each general journal entry should be followed by an explanation of the reason for the entry.

A sample general journal page is shown as Illustration 5.

Cash Receipts Journal

The cash receipts journal is a book of original entry in which all receipts are listed numerically. A duplicate receipt is issued by the business manager each time a transaction transpires in which the school receives money. A column is set up for each fund administered by the school in which resources are receipted. The receipt should be coded as to the fund(s), general ledger account(s) or revenue classification affected. The receipts are spread upon the cash receipts journal to the appropriate column(s), coded by revenue classification and totaled. These totals are posted monthly to the general ledger by a debit to cash and a credit to the appropriate receivable, investment or the revenue control account. The revenue classifications are then recapped by revenue type and posted to the respective fund's revenue budget record for budgeted funds.

In a computer environment, receipts should be entered in to the computer system during the month. The computer should be programmed to distribute the receipt activity to the proper revenue or general ledger accounts on a monthly and year-to-date basis. At the end of the month, the various revenue reports should be printed. Before the reports are filed, corresponding amounts on the different reports should be compared to detect any posting errors. Some entities test for errors on computer reports by footing receipt documents and comparing the totals with computer monthly or batch totals.

A sample receipt journal format is shown as Illustration 6.

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Check Register

The check register is a book of original entry in which all checks are numerically recorded. The check register should show the date of the check, to whom paid, the check number, the amount and the account or accounts to be charged.

At the end of each month, the expenditure classifications and general ledger account coding should be recapped by fund and posted to the expenditure budget record for budgeted funds and the general ledger accounts.

In a computer environment, checks should be entered into the computer system during the month. The computer should be programmed to distribute the disbursement activity to the proper expenditure or general ledger accounts on a monthly and year-to-date basis. At the end of the month, the various revenue reports should be printed. Before the reports are filed, corresponding amounts on the different reports should be compared to detect any posting errors.

A sample check register format is shown as Illustration 7.

Payroll Journal (Optional)

Accurate payroll information is necessary to determine operating expenditures and to report earnings to employees, federal and state agencies. One means of obtaining easy access to this information is to use a "special" payroll journal. This journal facilitates the recording of all payroll transactions in one place and saves time in recording and in posting. The sample journal shown as Illustration 8 may be used by schools who do not have their payroll on an automated system.

Those schools who are currently using the budget expense journal to issue payroll checks may want to consider this option to simplify the recapping and posting procedures.

A sample payroll journal format is shown as Illustration 8.

Purchase Order Journal (Optional)

The purchase order journal is a special journal in which all issued purchase orders are numerically listed. This journal provides control over the appropriation amounts for each activity as they relate to the purchases function. The purchase order journal should be used in conjunction with formal purchasing procedure policies established within each school.

The control the purchase order journal provides over the purchase function is accomplished by charging the appropriations for the outstanding purchase orders. For example, the business manager's office was authorized a \$2,000 appropriation for supplies; to date \$1,700 worth of expenditures have been charged against the appropriation. In addition to the actual expenditures the business manager has issued purchase orders in the amount of \$250 as evidenced by the open items in the purchase order journal. These outstanding purchase orders are charged against the budget item as encumbrances, thus reducing the budget balance to \$50 rather than showing an unexpended balance of \$300. This method of recording charges against the budget may avoid an overexpenditure of the particular budget item.

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To properly maintain this record the first step is to record all issued purchase orders numerically, showing vendor, amount, fund, activity and object to be charged. As invoices and vouchers are received against the related purchase orders, the voucher number and date of the voucher are recorded in the purchase order journal. By listing the voucher number, the unrecorded encumbrance is automatically canceled. However, this automatic cancellation only applies to current month's outstanding purchase orders as they have not yet been posted in the ledgers.

At the end of the first month all outstanding or open items in the purchase order journal are recapped by fund, activity and object and are posted to the appropriate fund's general ledger accounts "Encumbrances" and "Reserve for Encumbrances." The activity and object codes are posted to the appropriate fund's expenditure budget record as charges against the appropriation.

In the subsequent months the purchase orders are again listed and recapped in the same manner; however, any vouchers issued against the prior month's outstanding purchase orders will require an adjusting general journal entry against the encumbrance account and the reserve for encumbrances account in the appropriate fund's general ledger. An adjustment must also be made in the appropriate expenditure budget record to reverse the encumbrance of the budget item which is now charged as an expenditure.

A sample purchase order journal format is shown as Illustration 9.

BOOKS OF FINAL ENTRY

Books of final entry are the principal accounting records from which financial and management reports are prepared. The books of final entry are composed in a manner that classifies information according to the chart of accounts. The books of original entry (journal/registers) are totaled and summarized monthly. These monthly totals are then posted to the books of final entry (ledgers) and include:

General Ledger

When transactions are recorded in the books of original entry (journals) each item of the transaction is coded with a specific account number. It would be quite cumbersome to post each of these transactions individually to a monthly or annual financial report. The purpose of the journal is to record the individual transactions, summarize each account number into a monthly total and post this total to an account. An account is a form of record used to record the summary of all coded transactions affecting that account number. For example, all cash receipts and cash disbursements affect the "Cash" account. Accounts are set up for the various assets, liabilities, equity, revenues and expenditures related to a specific fund. This group of related accounts is referred to as a "Ledger." The ledger contains the summary of the total of transactions to date that affect that particular group of accounts. Once the ledger has been totally posted and closed out its main purpose is to facilitate the completion of the year-end financial reports.

Within the general ledger there are control accounts (i.e., revenues and expenditures). These accounts contain the summary of all revenues and expenditures against that fund to date. The

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detail for the revenues is kept in a subsidiary ledger known as the "Revenue Budget Record" and the expenditure detail is kept in a subsidiary ledger known as the "Expenditure Budget Record." At any point in time the control account in the general ledger must equal the total of the detail in these subsidiary ledgers.

A general ledger should be established for each fund. A sample general ledger format is shown as Illustration 10.

The subsidiary ledgers to be maintained by schools are as follows:

Revenue Budget Record

The revenue budget record is to record the summary of each revenue source recognized in the general journal or recorded in the cash receipts journal. The total of this record should equal the revenue control account in the general ledger.

A revenue budget record should be established for each budgeted fund. This record is constructed from the estimated revenue worksheets which were prepared for the provisional and annual budgets. Each worksheet will provide a basis for each fund's revenue budget record. The revenue budget record will provide a comparison of budgeted revenue with actual revenue and will provide a running total of revenues collected to date and will provide projections for future cash flow. An example of the form to be used is shown on Illustration 11.

Expenditure Budget Record

The expenditure budget record is to record the summary of each object level expenditure classification from the budget expense journal, general journal or voucher register. The total of this record should equal the expenditure control account in the general ledger. An expenditure budget record should be established for each fund. This record is constructed by taking the departmental budget request (by activity) and providing a separate page(s) in the expenditure budget record for each activity within the fund. The expenditure budget record will serve three purposes. It will show a comparison of budgeted expenditures with actual expenditures and a running total of actual expenditures made to date. The third purpose which this record will serve will be as an appropriation control. An example of the form to be used is shown on Illustration 12.

Capital Assets

Schools have a substantial investment of tax dollars in the various lands, buildings, equipment and other assets owned by them. The responsibility of stewardship involved in safeguarding such a large investment is of the utmost importance to sound financial administration. The protective custody of these assets can only be accomplished through adequate accounting procedures and records. In addition to stewardship or protective custody of a governmental unit's property, a good system of **capital** asset accounting permits the fixation of responsibility for custody and proper use of specific **capital assets** on individual public officials.

Initially, the school board should develop and prescribe accounting policies governing **capital asset** accounting. These policies should address:

- (a) the person(s) responsible for maintaining **capital asset** control records;

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- (b) the minimum values for classes of **capital assets** required to be accounted for; (capitalization policy)
- (c) estimated useful lives;
- (d) whether an accounting for public domain or “infrastructure” **capital assets** is required; e.g., roads, bridges, sidewalks and similar assets.

From a generally accepted accounting principles (AGAPE) standpoint, a **capital assets** is an asset which possesses three attributes:

1. tangible in nature
2. a life longer than the current fiscal year
3. a significant value

Capitalization Policy - A capitalization policy is a policy set by each district to establish a dollar threshold(s) for WHEN to call an item a capital asset. Different dollar amounts may be established in the policy for different classes of capital assets. For example, buildings might be capitalized as capital assets when the amount exceeds \$50,000 while items that are smaller in value and more numerous, such as equipment, might be capitalized if the amount exceeds \$5,000.

How high should the equipment capitalization policy be? Federal regulations have established a maximum of \$5,000, so it is recommended not to exceed that level. The focus for setting your capitalization policy should be less on accountability (a deterrent to theft) and more on financial statement presentation.

Financial statement presentation is impacted by the use of depreciation to feather the cost of an asset over its useful life. A higher capitalization threshold results in more expenses being absorbed in the current year.

As a deterrent to theft, high risk assets such as computers, cameras and tools may be tracked through the use of alternative listings. These listings may be much simpler in design than a standard capital asset listing since it would be focused on description and location instead of cost, useful life or depreciation expense.

It is advisable to consult with your insurance carrier to determine the extent of documentation needed in case of a disaster. The results of this consultation will then affect the extent and detail of the capital asset records maintained. A backup copy of all inventory listings should be stored offsite.

Personal Property Listings - SDCL 5-24 requires the school's personnel to file a property inventory with the business manager around the end of each year. By law this list should include all equipment over \$5,000 in original cost but may include smaller items to coincide with your capitalization policy or the needs of your insurance carrier. It is a good chance to verify or update your capital asset listings when the personal property listings are filed once a year from the various departments.

Why keep track of capital assets at all??? Following are a few of the reasons why:

Accountability - Tracking capital assets is a surefire deterrent to theft. Without records, capital assets could be taken and not detected.

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Grants - Certain grant programs require the maintenance of capital asset records.

Decision Making - When a governing board is adopting their budget they may ask for lists of similar assets to get a feel for quantity or age of an item.

Full Costing - Are your food service rates adequate to cover the total cost of the food service operation. One of the larger expenses on an enterprise fund's operating statement is depreciation. Therefore, the first step in providing an accurate financial statement is a completed capital asset record.

The general capital assets, representing the assets of general government, are reported in their own separate set of self-balancing accounts. Under GASB 34, general fixed assets will be called general capital assets. Also, reference to the "general fixed asset account group" will be phased out under GASB 34, but I still encourage the maintenance of this account group on your accounting system to act as a central place to aggregate values for reporting purposes.

Capital assets of enterprise funds are reported within each enterprise fund. That means that each school will have an equipment account for the Food Service Fund and an equipment account for the general capital assets.

How are values established for capital assets and secondly how do I document these values? Accounting principles indicate that capital assets should be recorded at **original cost** or an estimate thereof. Estimated costs should be recorded when it is not feasible to locate the original cost of a capital asset. Donated capital assets should be recorded using the fair market value at time of acquisition. The following comments will provide ideas in researching capital asset costs:

Land - Try locating deeds in safety deposit boxes, vaults, etc... As a last resort you may go to the register of deeds office at the court house to obtain copies of deeds. Document the legal description (lot, block and subdivision) to facilitate referencing specific properties.

Buildings – Try to approximate the year the building or addition was built by talking with officials or looking at the cornerstone or plaque to obtain the year the building was built. Then go to the minutes of that year to secure the bid amounts.

Maintenance vs. capitalizing. Capitalize only when the useful life is extended and/or dollar amount is significant. Painting, tuckpointing, carpeting and minor repairs are all considered maintenance and do NOT increase the capital asset value.

Improvements Other Than Buildings – Values should be obtained from the original vouchers or values may be estimated for work performed on athletic complexes, parking lots and sidewalks of the school district.

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Equipment/Vehicles - Go back several years securing the original costs of equipment and vehicles. Document these costs obtained by making copies of the purchase invoices. You may go back even further in the minutes to obtain bids of larger vehicles. Photocopy the page of the minutes to document the cost. Estimate the smaller/older items using a committee or other approach.

Researching these values is a lot of work, but if it is done right, it only needs to be done once. Document, document, document. If you find the original cost in the minutes or locate the voucher make a photocopy of it. Place these copies into a file folder or three ring binder. Provide page numbers for these copies. Then when the capital asset listing is created on the computer, a column can be established that references back to the page number of the supporting documentation.

Costs such as freight, installation, architect fees and engineering costs are referred to as ancillary costs and should be added to the capital asset values that are recorded.

Estimating Costs – Estimates of the original cost of smaller assets may be determined by researching old catalogues or consulting with individuals that have worked in that field for a number of years. Larger assets may be estimated by using a CPI (consumer price index) approach. The CPI approach is initiated by first establishing the current cost of the item. Then CPI charts are obtained to provide the “deflation” percent per year. The current cost is then deflated to arrive at the estimated original cost.

For example, the CPI tables (found on the legislative audit WEB site) have a factor of 177 for the year 2000 and 112.3 for the year 1990. So if a building currently costs \$100 per square foot in 2000, then a new building built in 1990 would be estimated to cost \$63.45 per square foot. (\$100 divided by the current factor of 177 and that result taken times the 1990 factor of 112.3) The estimated cost per square foot as of 1990 would then be taken times the square footage of the building in question.

Documentation of the process is critical of all items that are estimated. Who was consulted? Where was the current cost obtained? What CPI deflation factors were used?

Groupings - Groups of common assets may be viewed individually or as a group. For example, if a school had 400 chairs at \$20 each in an auditorium, I would probably lean towards recording them as a group because they were probably all purchased at the same time AND they will always be in that particular location. Individual chairs in various offices would not need to be grouped together and therefor probably would not be recorded. (They would be individually under the capitalization policy)

A computer workstation could include a printer, computer, keyboard, and monitor. If they are always going to be in the same grouping, a business manager could list them together as one item. If your school has many computers and swaps pieces back and forth constantly, then you may want to track individual items or consider them separately when comparing to your capitalization policy. With the recent decreases in the cost of computers, schools may no longer consider computers as a capital asset.

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Depreciation - Depreciation is only required to be applied to enterprise capital assets (the Food Service Fund). Under GASB 34, the General Capital Assets will also be depreciated so it would be wise to set up those capital asset listings in a manner to allow them to be depreciated. The simple approach is suggested which is to apply depreciation using the straight line method. Suggested useful lives of various capital assets are listed in Section II, Appendix A of this School Accounting Manual. Schools may deviate from the suggested useful life if local practices support such a decision. Caution should be exercised, in that assets should not be depreciated beyond their useful life.

Pursuant to food service regulations all food service capital assets are depreciated on a straight-line basis over a 12 year useful life. This is a simple and uniform approach that is applied statewide.

Tagging of Assets – Tagging of assets to provide specific identification is optional. Most schools in South Dakota are of such a size making it hard to justify the extra work of tagging assets. Many assets such as vehicles and computers already have a serial number or other ID number available.

Library Books – GASB 34 suggests that library books are to be viewed as a capital asset. Rather than listing each and every book, all of the books may be listed as one asset. For example, 10,000 books at \$23 per book equals \$230,000. Then each year the total is updated for books purchased and discarded. For convenience, all books discarded are considered fully depreciated. Some GASB 34 specialists are suggesting that library books be considered individually and therefor are not expensive enough to be a capital asset. Our preference would be to list significant libraries as a capital asset to be depreciated over their useful life. Hardcover books, softcover books, CD's and audio tapes are all considered library capital assets if they have a useful life greater than a year.

Software – Most software purchases are merely paying for the right to use someone else's product so they are not listed as capital assets. Only software developed by the entity's own programmers needs to be capitalized.

Capital Asset Listings – Older capital asset listings were on recipe cards, three ring binders and even columnar pads. Current capital asset listing could be set up on an excel spreadsheet. You may even purchase special software from vendors to create capital asset listings.

The column headings of a capital asset record should at a minimum include the following:

ITEM # - This column would serve as a reference from the capital asset record to the support for the value of each item listed. It could also be used to list the tag numbers if tagging is used.

G/L ACCOUNT NUMBER – This column would identify the general ledger account number for each item. For example, 201 land or 204 equipment. It will be necessary to sort this column for financial statement reporting.

FUNCTION – This column will enable a school to sort by function. GASB 34 requires that depreciation expense be reported at the functional level. For example, total depreciation expense for "instruction" or "support services". The data entered into this column may be in words "Instruction – H.S. lab" or it may be by expenditure account number "1130".

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YEAR ACQUIRED – This information is essential for calculating depreciation.

ESTIMATE USEFUL LIFE – These estimates may be obtained from the useful life tables on the legislative audit WEB site or it may be obtained from other sources.

DESCRIPTION – A good description coupled with the function column may save having a column for location. Also, it is optional whether to list the serial number here or in a separate column. The words “fed” or “local” may be added to this column for food service equipment to indicate the source of funding.

COST – This should include the original cost or an estimate thereof.

ACCUMULATED DEPRECIATION – This column should reflect the depreciation accumulated from the date of purchase through the current date. The amounts in this column should support the general ledger accounts of the same name.

DEPRECIATION EXPENSE 2001 – It is recommended to calculate the depreciation expense for each item listed using the straight-line method of depreciation. The totals listed for this column should tie to the amounts reported on the operating statement. Do not depreciate an item beyond its useful life. For the sake of keeping it simple, you may have a policy of depreciating an item for a full year in the year acquired even if an item is acquired several months after the year has started.

NOTE: Proclaiming a salvage value is optional and therefore is not listed as a required element above.

A sample capital asset record and depreciation schedule is shown on Illustration No. 13.

Leases – Sometimes schools will enter into leases or lease-purchases for capital assets. Leasing is the same as renting in that the school is paying for the right to use the asset but will never own the asset. Lease-purchasing on the other hand is just a mechanism to make installment payments towards the eventual ownership of the asset.

In both leasing and lease-purchasing, an analysis must be made to determine if the contract is a capital lease or an operating lease. The contract is a capital lease if ANY one of the following conditions are met:

- a. The lease transfers ownership of the property to the school by the end of the lease term. (a lease-purchase)
- b. The lease contains a bargain purchase option. An option to buy the item for less than its current market value.
- c. The lease term is equal to 75% or more of the estimated economic life of the leased property.
- d. The sum of the principal lease payments equal 90% of the fair value of the asset. (Are your lease payments, when added together, about the same as buying the item)

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If it is determined that a capital lease exists, then that item should be added to your capital asset listings. (long-term debt should also be recognized)

Works of Art and Historical Treasures – Except as discussed in this paragraph, governments should capitalize works of art, historical treasures, and similar assets at their historical cost of fair value at date of donation (estimated if necessary) whether they are held as individual items or in a collection. Governments are NOT required to capitalize a collection whether donated or purchased that meets ALL of the following conditions. The collection is:

- a. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain
- b. Protected, kept unencumbered, cared for, and preserved
- c. Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Capitalized collections or individual items that are exhaustible, such as exhibits whose useful lives are diminished by display or educational or research applications, should be depreciated over their estimated useful lives. Depreciation is not required for collections or individual items that are inexhaustible.

Inexhaustible works of art and historical treasures, if capitalized, should be reported as “Land and land rights” whereby most exhaustible treasures (ones that will be depreciated) should be recorded as “machinery and equipment”.

OTHER ACCOUNTING RECORDS

In addition to the basic accounting records described previously, the school must also maintain various other subsidiary control records. These include:

A. Registered Warrant Register:

A Registered Warrant Register is used to record checks which are not paid for want of funds. This register should show the number, date and amount of each warrant, the fund upon which the same is drawn, the date of presentation, the name and address of the person in whose name the same is registered, the date of payment when made, the amount of interest and the total amount paid thereon, with the date when notice of call for payment is mailed to the person in whose name such warrant is registered.

Checks that are registered should be listed in both the Check Register and the Registered Warrant Register. The Registered Warrant Register serves only as a control record on the warrants from the time they are registered until they are paid.

An example of a Registered Warrant Register is shown at Illustration 15.

B. Investment Records:

This subsidiary record serves as a control for interest bearing deposits and investments and should support the respective general ledger accounts.

SECTION III--ACCOUNTING RECORDS

A suggestion would be to show each individual interest bearing deposit or investment on a separate sheet which should indicate any and all of the following information which is pertinent to the particular interest bearing deposit or investment:

- a. The type of interest bearing deposit or investment.
- b. An identifying number.
- c. The date purchased.
- d. The maturity date.
- e. The cost.
- f. The face value if different than cost.
- g. The amount of discount or premium.
- h. The fund which provided the amount for the interest bearing deposit or investment. (This would indicate the amount of ownership of all funds involved.)
- i. The bank, in the case of interest bearing deposits, in which the deposit has been made.
- j. The interest rate.
- k. The interest payment periods.
- l. The method of interest payment.
- m. The amount of interest received or credited.
- n. The receipt number which recognized the interest revenue.
- o. The dates interest was received.
- p. The amount received when sold.
- q. The date sold or redeemed.

The school district should also provide a means by which the date and amount of interest received from the payer can be tested for propriety. This can be accomplished most efficiently within this control record.

This record also serves as a control for the interest bearing deposits and investments held by the school in the event one is lost.

The school should establish a written policy concerning the deposit and investment of school funds. (SDCL 4-5-8)

Deposits must be made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

Therefore, the school should be aware of what deposits are uninsured but collateralized or uninsured and uncollateralized. Deposits are reported at cost plus interest, if the account is of the add-on type. The interest should be recorded as earned or at least annually for proper report presentation.

In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in

SECTION III--ACCOUNTING RECORDS

(a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments are stated at fair value.

The entity's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

Any Category 2 or 3 amounts would be contrary to the delivery/ custody requirements of SDCL 4-5-9 for individual securities.

Therefore, the school should be aware of the risk category for each investment on hand and for each future investment as to be in compliance with South Dakota laws as applicable. A prospectus should be obtained for each mutual fund investment which will detail the level of risk the school is assuming for the investment.

C. Minutes of Official Proceedings of Board of Education:

Minutes of the board of education's proceedings are the fundamental communication between the board and the taxpayers. The following is a suggested format for recording and publishing minutes of the school board:

Minutes of School District Board of Education Proceedings

Members Present, Date(s), Location and Type of Meeting:

The names of the members of the board of education who are present or absent, the date(s) of the meeting, the location of the meeting and the type of meeting (regular or special meeting) should be indicated here.

Officers and Other Persons Present:

The names of the officers and other people attending the meeting should be listed.

Approval of Minutes: (SDCL 13-8-34)

This section should contain the approval of the minutes of the previous meeting(s), and also any corrections, amendments or modifications made before approval.

SECTION III--ACCOUNTING RECORDS

Report of Cash Transactions and Statement of Receipts: (SDCL 13-8-35)

The monthly financial report should be recorded here.

Claims Approved:

Except for salary claims and agency funds' claims, each claim approved for payment should be listed showing the claimant, the goods or services provided and the amount. (SDCL 13-8-35) However, expenditures made from the incidental account shall be listed in the minutes. (SDCL 13-18-17)

Salary expenditures should be reported in total by department. (SDCL 6-1-10)

Claims Rejected

All claims rejected should be shown giving the reason(s) for rejection.

Added or Increased Salaries: (SDCL 6-1-10)

Salaries of new employees and increases for existing employees should be listed in the meeting at which such additions or increases were approved.

Deposit and Investment Policies: (SDCL 4-5-6 to 4-5-11; 13-16-18 and 13-16-18.1)

All accumulations in all school district funds shall be deposited in the district's official depository(ies) in checking accounts, savings accounts or time deposits, or invested in securities as allowed by statute. All deposits and investment transactions shall be by resolution(s) of the board, either covering the entire year or monthly resolutions authorizing such transactions. Domestic federal credit unions can be official depositories if funds are invested in accounts insured by the National Credit Union Association.

Bids: (SDCL 5-18-1 to 5-18-25 and 13-20-3 to 13-20-8)

Each item considered should be shown as a subtopic, such as typewriters for senior high programs, audiovisual equipment for elementary programs, etc.

Under each subtopic the name and amount bid by each bidder should be shown. If any bids are rejected, the reason(s) for rejection should be stated. The action of the governing body should be shown (contract awarded, tabled or all bids rejected) and if the contract is awarded to other than the lowest bidder the reason(s) should be clearly stated.

Items for which bids were opened and listed at a previous meeting need only show the action taken by the governing body under the respective subtopic heading.

SECTION III--ACCOUNTING RECORDS

Other Matters Discussed and Action Taken:

A topic heading should precede the description of each matter discussed and any actions taken by the school board which have not been specifically provided for in the preceding topic headings.

Adjournment:

The last paragraph of the minutes should include the approval for and time of adjournment.

Note: The following sections should appear in the minutes of the annual meeting:

Election of Officers: (SDCL 13-8-10 and 13-16-15)

The board shall elect a president and vice-president, and designate the official depository(ies), the custodian of all accounts and the legal newspaper.

Salaries of Officers and Employees: (SDCL 6-1-10)

Salaried employees should be listed showing their annual rate of pay. All hourly employees should be listed showing their hourly rate.

See Illustration 15 for sample minutes of a meeting using the suggested format.

Executive Session:

Executive sessions or closed meetings may be held for personnel matters as defined in SDCL 1-25-2. SDCL 1-25-2 states:

Executive or closed meetings may be held for the sole purposes of:

- (1) Discussing the qualifications, competence, performance, character or fitness of any public officer or employee or prospective public officer or employee. The term "employee" does not include any independent contractor;
- (2) Discussing the expulsion, suspension, discipline, assignment of or the educational program of a student;
- (3) Consulting with legal counsel or reviewing communications from legal counsel about proposed or pending litigation or contractual matters;
- (4) Preparing for contract negotiations or negotiating with employees or employee representatives;
- (5) Discussing marketing or pricing strategies by a board or commission of a business owned by the state or any of its political subdivisions, when public discussion may be harmful to the competitive position of the business.

However, any official action concerning such matters shall be made at an open official meeting. An executive or closed meeting shall be held only upon a majority vote of the

SECTION III--ACCOUNTING RECORDS

members of such body present and voting, and discussion during the closed meeting is restricted to the purpose specified in the closure motion. Nothing in SDCL 1-25-1 or this section may be construed to prevent an executive or closed meeting if the federal or state Constitution or the federal or state statutes require or permit it. A violation of this section is a Class 2 misdemeanor.

D. Individual Earnings Record:

This subsidiary record serves to accumulate payroll information by employee for the year for income tax and other purposes. Entries would be made to this record each time payroll is processed. This record should be custom designed to cover all deductions authorized by the governing board.

An example of an employee's earnings record is shown at Illustration 16.

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 1

SAMPLE RECEIPT

Receipt No. 0001

Date _____ School District
_____, South Dakota

Received from _____ \$ _____
_____ Dollars

Description:

_____ Coding Received By _____

ILLUSTRATION 2

TALLY SHEET

School Function _____

Date Held _____

Ticket Seller _____

Beginning Change

Type of Ticket	Value of Ticket	Beginning Ticket Number	Ending Ticket Number	No. of Tickets Sold	Value of Tickets Sold
Total Sales					\$ _____
Total Beginning Change and Sales					\$ _____
Actual Cash Remitted to Business Office					\$ _____
Long or Short					\$ _____
Receipt No. _____ (Actual Cash Less Beginning Change)					\$ _____

(Signature of ticket seller)

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 3

PURCHASE ORDER

(OPTIONAL)					
DATE _____		P.O. No. _____			
PURCHASE ORDER					
Vendor:				Ship To:	
Ship Via:		F.O.B	Tax Exempt # Charge Tax		
Quantity Ordered	Quantity Received	Description	Unit Price	Extension	
Fund	Account	Budget Authorization_____Business Manager Date Purchase Authorization_____Designated Person Date			
		Merchandise Receipt_____Department Head Date White - Vendor Copy Yellow - Business Manager Pink - Receiving Document			

SECTION III--ACCOUNTING RECORDS**ILLUSTRATION 4
VOUCHER FOR PAYMENT****SCHOOL DISTRICT VOUCHER FOR PAYMENT FROM SCHOOL ACCOUNT**
(Bill or claim against the school district)Claim No. _____
Paid by Check No. _____
Vendor No. _____
EIN # for 1099 _____Town: _____ County: _____ South Dakota
Operational

Fund Code	Function Code	Object Code	Unit Code	Amount
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total				_____

To: _____

Address: _____

(Give street number, town, and state)

NOTE: All vouchers for materials of supplies furnished must be itemized as to type, quantity, unit price and total price and the declaration must be signed by the superintendent, business manager or other authorized agent of the school district as indicated below. Claims for personal service other than regular payrolls under contract must also be signed by the claimant as indicated below. Such claims must indicate time devoted and rate of pay, and if for travel must show dates, time of leaving, time of return, points of travel, meals and lodging expense. A receipt for lodging expense must be attached to voucher. If travel is by car, voucher must show miles traveled and rate of pay per mile. If by commercial carrier, a signed receipt from such carrier must be attached to voucher.

Date	Itemized description of materials and supplies or personal service and travel information	Purchase Order No.	Quantity	Unit Price	Total

CLAIMANT DECLARATION IF VOUCHER IS FOR PERSONAL SERVICE, TRAVEL REIMBURSEMENTS OR EXPENDITURES OTHER THAN PAYROLL UNDER A CONTRACTED PRICE

I declare and affirm under the penalties of perjury that this claim has been examined by me, and to the best of my knowledge and belief, is in all things true and correct.

Date: _____ 20 ____ Signature of Claimant: _____

DECLARATION OF SUPERINTENDENT, BUSINESS MANAGER, OR OTHER AUTHORIZED AGENT OF THE DISTRICT

I declare and affirm under the penalties of perjury that this claims has been examined by me, and to the best of my knowledge and belief, is in all things true and correct. I further certify that the above services were rendered, or that the above listed materials were received in an acceptable condition, and that the above claim is hereby approved by me for payment this _____ day of _____ 20 ____.

Signed: _____
(Business Manager or other authorized agent)**APPROVAL BY THE DISTRICT FOR PAYMENT**

Approved for payment by school board action on _____ 20 ____

Signature or initial of presiding officer of the school board: _____

Audited by _____

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 5

GENERAL JOURNAL

Page _____

[illegible]

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 6

CASH RECEIPTS JOURNAL

Month Ending May 31, 2002

Receipt No	Received From	Date	Description	Account No	Amount
4837	S. Peterson	05/06/02	Copies	10 1990	\$32.00
4838	State of SD	05/07/02	Title I	10 4173	11,000.00
4839	Twite/Poppen	05/08/02	Sales to Pupils	51 1610	1,529.25

ILLUSTRATION 7

CHECK REGISTER

Month Ending June, 2002

Check No	Check Date	Vendor No	Vendor Name/Coding	Amount
0015873	06/09/02	1023	A-Ox Welding Supply Co 10 1132 002 490	\$ 89.23
0015874	06/09/02	1668	A.M.P.I 51 2569 005 460	179.76
0015875	06/09/02	1006	Bau Plumbing and Heating 10 2549 005 323	287.21

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 8

PAYROLL JOURNAL

Salary	Contract	Units	Absence	Gross	Deducts	Adds	Net	FIT Gross	SIT Gross	SS Gross	Medicare Gross	Ret Gross	CK #
00282 Employee No. 1													
0.00	1,214.23	0.00	0.00	1,214.23	504.34	0.00	709.89	880.64	0.00	941.35	941.35	1,214.23	8521
FIT		91.78	Soc Sec	58.36	Medicare	13.65	016	RETIREMEN T	60.71	102 LTD		6.96	
841	HEALTH-125	272.88											
0.00	1,214.23	0.00	0.00	1,214.23	470.87	0.00	743.36	961.92	0.00	1,022.63	1,022.63	1,214.23	8581
FIT		103.98	Soc Sec	63.40	Medicare	14.83	016		60.71	031 FEE	-125	5.00	
034	ACIDEN-125	24.84	045 Investment	25.00	053 CANCER-125	26.80	054 INT-125	9.96	700	CHILD CARE	125.00		
805	LIFE INS	8.00	807 SPOUSE LIFE	1.75	808 CHILD LIFE	1.60							
Employee Subtotal													
0.00	2,428.46	0.00	0.00	2,428.46	975.21	0.00	1,453.25	1,842.56	0.00	1,963.98	1,963.98	2,428.46	
							Withheld	195.76	0.00	121.76	28.48	121.42	
Salary	Contract	Units	Absence	Gross	Deducts	Adds	Net	FIT Gross	SIT Gross	SS Gross	Medicare Gross	Ret Gross	CK #
00282 Employee No. 2													
0.00	1,214.23	0.00	0.00	1,214.23	504.34	0.00	709.89	880.64	0.00	941.35	941.35	1,214.23	8521
FIT		91.78	Soc Sec	58.36	Medicare	13.65	016	RETIREMEN T	60.71	102 LTD		6.96	
841	HEALTH-125	272.88											
0.00	1,214.23	0.00	0.00	1,214.23	470.87	0.00	743.36	961.92	0.00	1,022.63	1,022.63	1,214.23	8581
FIT		103.98	Soc Sec	63.40	Medicare	14.83	016		60.71	031 FEE	-125	5.00	
034	ACIDEN-125	24.84	045 Investment	25.00	053 CANCER-125	26.80	054 INT-125	9.96	700	CHILD CARE	125.00		
805	LIFE INS	8.00	807 SPOUSE LIFE	1.75	808 CHILD LIFE	1.60							
Employee Subtotal													
0.00	2,428.46	0.00	0.00	2,428.46	975.21	0.00	1,453.25	1,842.56	0.00	1,963.98	1,963.98	2,428.46	
							Withheld	195.76	0.00	121.76	28.48	121.42	
Salary	Contract	Units	Absence	Gross	Deducts	Adds	Net	FIT Gross	SIT Gross	SS Gross	Medicare Gross	Ret Gross	CK #
00282 Employee No. 3													
0.00	1,214.23	0.00	0.00	1,214.23	504.34	0.00	709.89	880.64	0.00	941.35	941.35	1,214.23	8521
FIT		91.78	Soc Sec	58.36	Medicare	13.65	016	RETIREMEN T	60.71	102 LTD		6.96	
841	HEALTH-125	272.88											
0.00	1,214.23	0.00	0.00	1,214.23	470.87	0.00	743.36	961.92	0.00	1,022.63	1,022.63	1,214.23	8581
FIT		103.98	Soc Sec	63.40	Medicare	14.83	016		60.71	031 FEE	-125	5.00	
034	ACIDEN-125	24.84	045 Investment	25.00	053 CANCER-125	26.80	054 INT-125	9.96	700	CHILD CARE	125.00		
805	LIFE INS	8.00	807 SPOUSE LIFE	1.75	808 CHILD LIFE	1.60							
Employee Subtotal													
0.00	2,428.46	0.00	0.00	2,428.46	975.21	0.00	1,453.25	1,842.56	0.00	1,963.98	1,963.98	2,428.46	
							Withheld	195.76	0.00	121.76	28.48	121.42	

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 9

PURCHASE ORDER JOURNAL

G/L Account #	Vender Number	Vendor Name	P.O. #	Date Expected	Amount Distributed
10 1111 001 323	003093	ADVANCED BUSINESS CONCEPTS	FY 01	06-30-2002	7,188.00
Account Total:					7,188.00
10 1111 001 410	001989	SUMMIT LEARNING	PJW01 002	07-15-2002	17.05
10 1111 001 410	003199	PCI EDUCATIONAL PUBLISHING	KSM01 015	07-15-2002	79.90
10 1111 001 410	001989	SUMMIT LEARNING	KSM01 011	07-15-2002	11.95
10 1111 001 410	001989	SUMMIT LEARNING	KSM01 011	07-15-2002	11.95
10 1111 001 410	001989	SUMMIT LEARNING	KSM01 011	07-15-2002	6.30
10 1111 001 410	001989	SUMMIT LEARNING	KSM01 011	07-15-2002	9.25
10 1111 001 410	001989	SUMMIT LEARNING	KSM01 011	07-15-2002	6.50
10 1111 001 410	001989	SUMMIT LEARNING	KSM01 011	07-15-2002	16.50
10 1111 001 410	001989	SUMMIT LEARNING	KSM01 011	07-15-2002	11.25
10 1111 001 410	001989	SUMMIT LEARNING	KSM01 011	07-15-2002	14.95
10 1111 001 410	000578	WEEKLY READER	KSM01 002	07-15-2002	187.50
10 1111 001 410	000578	WEEKLY READER	KSM01 002	07-15-2002	212.50
10 1111 001 410	002801	TIME FOR KIDS	PJW01 010	07-15-2002	213.75
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	34.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	11.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	8.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	9.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	16.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	6.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	11.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	79.90
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	14.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	15.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	12.95
10 1111 001 410	003074	MINDWARE	KKM01 001	07-15-2002	14.95
10 1111 001 410	000201	SCHOOL SPECIALTY INC	KKM01 003	07-15-2002	.64
10 1111 001 410	000201	SCHOOL SPECIALTY INC	KKM01 003	07-15-2002	.64
10 1111 001 410	000201	SCHOOL SPECIALTY INC	KKM01 003	07-15-2002	16.75
10 1111 001 410	000578	WEEKLY READER	KKM01 004	07-15-2002	59.25
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	9.25
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	9.25
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	18.50
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	12.10
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	12.10
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	11.95
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	10.50
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	13.50
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	9.20
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	9.20
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	10.95
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	9.50
10 1111 001 410	001989	SUMMIT LEARNING	PJB01 002	07-15-2002	5.50
10 1111 001 410	000578	WEEKLY READER	PJB01 004	07-15-2002	49.60
10 1111 001 410	000578	WEEKLY READER	JMS01 005	07-15-2002	52.70
10 1111 001 410	000578	WEEKLY READER	JMS01 006	07-15-2002	212.50

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 10

GENERAL LEDGER

SCHOOL DISTRICT NO. _____

Monthly Balance sheet
For Period Ending _____

Account No. Fund/Acct.	Description	Previous Balance	Net Dr/Cr This Month	Balance
CURRENT ASSETS				
22 101	CASH	\$	\$	\$
22 105	INTEREST BEARING ACCOUNTS			
22 106	SAVINGS CERTIFICATES			
22 110	TAXES RECEIVABLE-- CURRENT			
22 112	TAXES RECEIVABLE--PRIOR YEARS			
22 114	STATE FINANCIAL ASSISTANCE REC			
	CURRENT ASSETS Subtotal	_____	_____	_____
OTHER ASSETS				
22 390	BUDGETED REVENUE			
22 392	LESS: REVENUE RECEIVED			
	OTHER ASSETS Subtotal	_____	_____	_____
	TOTAL ASSETS	\$ =====	\$ =====	\$ =====
CURRENT LIABILITIES				
22 402	ACCOUNTS PAYABLE	\$	\$	\$
22 404	CONTRACTS PAYABLE			
22 450	PAYROLL DEDUCTION			
22 451	PR DEDUCTION--FICA			
22 452	PR DEDUCTION--FIT			
22 453	PR DEDUCTION--HEALTH INS			

SECTION III--ACCOUNTING RECORDS

Account No. Fund/Acct.	Description	Previous Balance	Month	This Balance
22 454	PR DEDUCTION--RETIREMENT			
22 455	PR DEDUCTION--SAVINGS			
22 456	PR DEDUCTION--TSA			
22 457	BENEFITS PAYABLE			
22 458	CAFETERIA COMP PAYABLE			
22 459	PR DEDUCTION--CANCER/LIFE INS			
22 474	DEFERRED REVENUE			
	CURRENT LIABILITIES Subtotal			
	OTHER LIABILITIES			
22 603	ENCUMBRANCES			
22 690	BUDGETED EXPENDITURES			
22 692	LESS: EXPENDITURES TO DATE			
22 694	LESS: ENCUMBRANCE COMMITMENTS			
22 696	LESS: ACCOUNTS PAYABLE			
	OTHER LIABILITIES Subtotal			
	FUND BALANCE			
22 704	FUND BALANCE			
22 704 002	BUDGETED FUND BALANCE			
22 704 005	UNDESIGNATED FUND BALANCE			
	FUND BALANCE Subtotal			
	TOTAL LIABILITIES/FUND EQUITY	\$	\$	\$

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 11

REVENUE BUDGET RECORD

Period Ending August 31, 2002

Account No.	Description	Budget	Revenue During Month	Revenue To Date	%	Budget Balance
10 1110	Ad Valorem Taxes	\$ 706,609.00	\$ 1,069.85	\$ 3,289.36	0.47	\$703,319.64
10 1120	Prior Years Taxes	8,000.00	919.24	1,398.31	17.48	6,601.69
10 1140	Gross Receipts Taxes	20,000.00	0.00	0.00	0.00	20,000.00
10 1190	Penalties and Interest on Tax	4,200.00	218.42	296.09	7.05	3,903.91
10 1510	Interest Earned	16,000.00	1,304.88	2,925.68	18.29	13,074.32
10 1710	Admissions	20,000.00	0.00	0.00	0.00	20,000.00
10 1910	Rentals	4,400.00	150.00	150.00	3.41	4,250.00
10 1990	Other Local Revenue	2,000.00	63.66	563.48	28.17	1,436.52
10 2110	County Apportionment	16,000.00	1,332.23	2,460.29	15.38	13,539.71
10 2200	Revenue in Lieu of Taxes	2,000.00	0.00	0.00	0.00	2,000.00
10 2900	Other County Sources	400.00	0.00	0.00	0.00	400.00
10 3111	State Aid	564,276.00	28,796.07	54,369.03	9.64	509,906.97
10 3112	State Apportionment	26,000.00	0.00	0.00	0.00	26,000.00
10 3114	Bank Franchise Tax	14,000.00	0.00	0.00	0.00	14,000.00
10 3122	Vocational Education	8,800.00	1,466.66	2,933.32	33.33	5,866.68
10 3124	Gifted Education	1,661.00	276.82	553.63	33.33	1,107.37
10 4173	Title I	47,228.00	0.00	0.00	0.00	47,228.00
10 4176	Safe and Drug Free Schools	3,070.00	0.00	0.00	0.00	3,070.00
10 4178	Dwight D. Eisenhower Title II	2,000.00	0.00	0.00	0.00	2,000.00
FUND TOTAL		<u>\$1,466,644.00</u>	<u>\$ 35,597.83</u>	<u>\$ 68,939.19</u>	<u>7.15</u>	<u>\$1,397,704.81</u>

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 12

EXPENDITURE BUDGET RECORD

Period Ending June 30, 2002

Account No.	Description	Budget	Expended During Month	Expenditures To Date	%	Balance at EOM
1110	Elementary Programs	\$ 302,151.00	\$ 65,164.93	\$ 292,213.32	96.71	\$ 9,937.68
1120	Middle School Programs	199,816.00	38,374.80	193,628.49	96.90	6,187.51
1130	High School Programs	197,212.00	38,983.66	180,726.27	91.64	16,485.73
1210	Programs for Gifted and Talented	9,228.00	1,428.53	8,336.71	90.34	891.29
1270	Chapter I	46,418.00	10,191.29	40,748.64	87.79	5,669.36
2120	Guidance Services	36,492.00	7,789.24	36,041.99	98.77	450.01
2130	Health Services	1,360.00	0.00	483.99	35.59	876.01
2210	Improvement of Instruction	13,961.00	0.00	11,579.73	82.94	2,381.27
2220	Educational Media	35,640.00	2,387.49	35,619.26	99.94	20.74
2310	Board of Education	32,929.00	4,416.05	26,216.33	79.61	6,712.67
2320	Superintendent's Office	31,000.00	2,384.97	30,541.09	104.65	-1,358.09
2410	Elementary Principal	105,000.00	13,823.73	104,605.90	100.35	-366.90
2520	Business Manager	44,864.00	3,123.45	40,204.15	89.61	4,659.85
2540	Operation and Maintenance of Plant	211,639.00	14,130.52	206,507.38	97.58	5,131.62
2550	Pupil Transportation	61,115.00	432.98	58,783.52	96.19	2,331.48
3200	Community Recreation Service	600.00	0.00	563.25	104.69	-25.25
6100	Male Activities	24,721.00	2,214.78	23,561.99	95.31	1,159.01
6200	Female Activities	16,993.00	657.79	14,548.61	85.62	2,444.39
6500	Transportation for Co-Curr	11,612.00	2,894.68	11,602.37	99.92	9.63
6900	Combined Activities	28,860.00	4,964.92	27,922.20	96.75	937.80
7000	Contingencies	19,866.00	0.00	0.00	0.00	19,866.00
8110	Operating Transfers Out	5,000.00	4,000.00	4,000.00	0.00	-4,000.00
TOTAL GENERAL FUND		<u>\$ 1,436,477.00</u>	<u>\$ 217,363.81</u>	<u>\$ 1,348,435.19</u>	<u>94.32</u>	<u>\$ 80,401.81</u>

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 13 GOVERNMENTAL ACTIVITIES Capital Asset Record and Depreciation Schedules (Buildings)

Item # (2)	Capital Asset Description	Service Depart Function #(1)	Date Placed in Service	G/L Acct No	Est Life Years	Cost or Acquisition Value	Accum Depreciation 6/30/01	2002 Depr Expense	Accum Depr 6/30/02	2003 Depr Expense	Accum Depr 6/30/03
BUILDINGS:											
001	Bus Garage	Support Serv	1955	162	50	50,000.00	46,000.00	1,000.00	47,000.00		
002	Middle School	Instruction	1980	162	50	300,000.00	126,000.00	6,000.00	132,000.00		
003	High School	Instruction	1985	162	50	600,000.00	192,000.00	12,000.00	204,000.00		
004	Business Office	Support Serv	1990	162	50	510,000.00	112,200.00	10,200.00	122,400.00		
005	Elementary School	Instruction	1994	162	50	400,000.00	5,600.00	800.00	6,400.00		
						1,860,000.00	481,800.00	30,000.00	511,800.00		

Note: A capital asset/depreciation record would be maintained by location by department or function for each major category of capital asset such as improvements, machinery and equipment, etc.

Note (1): Must be able to perform a sort to provide depreciation expense by function (instruction, support service, etc.)

Note (2): Item number may coincide with tag if tagging is used. Also, can be indexed to valuation support such as vouchers, etc.

Note: Salvage value need not be recorded.

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 14

REGISTERED WARRANT REGISTER

		Warrant			Date	Date	Interest	Amount of Interest	Total Paid	Address Street, City and State
Date		Number	Amount	Fund	Notice Sent	Payment Made				
1-7-XX	Joe's Garage	5000	\$ 30.00	10	2-1-XX	2-5-XX	6%	.12	\$30.12	Green, SD
1-8-XX	Joe's Lumber Co.	5001	275.00	10	2-1-XX	2-8-XX	6%	1.08	276.08	Green, SD
1-10-XX	Joe's Office Supply	5002	84.50	10	2-1-XX	2-4-XX	6%	.31	84.81	Green, SD
1-15-XX	Daily Leader	5003	91.00	10	2-1-XX	2-15-XX	6%	.25	91.25	Green, SD
1-16-XX	Gas Co.	5005	75.00	10						
1-18-XX	Joe's Plumbing	5006	35.00	10						
1-19-XX	Joe's Hardware	5007	60.00	10						
01-20-XX	Construction Co.	5008	425.00	10						
1-24-XX	Joe's Equipment Co.	5009	750.00	10						

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 15

SAMPLE MINUTES

The Sample School District's Board of Education met in regular session on December 8, 20XX at 7:30 p.m. at the administration building with the following members present or absent:

Present: John Doe, Joe Blow, Lois Smith and Betty Schmit
Absent: Richard Swanebeck

Officers and Other Persons Present:

Robert Richford, Business Manager
Dennis Knowledge, Superintendent
John Wise, Kenneth Concerned, Leroy Brown and Mark Floring

Approval of Minutes:

Motion by Doe, seconded by Blow, to approve the minutes of the regular meeting held on November 10, 20XX and the special meeting held on November 24, 20XX, as read.
Aye: Doe, Blow, Smith and Schmit

Report of Cash Transactions:

The following report of cash transactions was presented for the month of November:

SECTION III--ACCOUNTING RECORDS

UNAUDITED

ILLUSTRATION 15

SAMPLE MINUTES

(Continued)

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Food Service Fund	Unemploy- ment Fund	Trust and Agency Funds
Cash Balance, November 1, 20XX	\$ 523,971.89	\$ 89,183.75	\$ 11,591.63	\$ 109,183.15	\$ 51,891.69	\$ 10,000.00	\$ 29,183.29
Receipts:							
Local Sources:							
Taxes	\$491,873.21	\$83,618.45	\$9,837.46	\$103,293.37	\$	\$	\$
Earnings on Investments	3,891.22	661.56	77.82	817.16	389.12		
Food Service					31,829.71		
Pupil Activities	2,891.73						
Intermediate Sources:							
County Sources	1,189.23	202.17	23.78	249.74			
State Sources:							
Unrestricted Grants-in-Aid	49,183.21						
Revenue in Lieu of Taxes	11,821.39	2,009.64	236.43	2,482.49			
Federal Sources:							
Grants-in-Aid	17,821.30						
Food Service Assistance					21,830.18		
Total Receipts	578,671.29	86,491.82	10,175.49	106,842.79	54,049.01	0.00	429,457.62
Total	1,102,643.18	175,675.57	21,767.12	216,025.91	105,940.70	10,000.00	458,640.91
Total Disbursements	478,920.10	76,565.50	8,419.20	159,714.11	59,860.01	1,000.00	432,506.17
CASH BALANCE, NOVEMBER 30, 20XX	\$623,723.08	\$99,110.07	\$13,347.92	\$56,311.80	\$46,080.69	\$9,000.00	\$26,134.74

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 15

SAMPLE MINUTES

(Continued)

Motion by Blow, seconded by Smith, to approve the November's financial statement as presented.

Aye: Doe, Blow, Smith and Schmit

Claims Approved:

The Adams School-Tuition, Room and Board-\$1,871.26; Crippled Childrens' Hospital-Tuition, Room and Board-\$1,287.61; Hughes Supple Co.-Textbooks-\$2,981.60; Robert Richford-Travel Expense-\$89.63; American Association of School Administrators-Membership Dues-\$75.00; Educational Supply Co.-Suppliers-\$981.27; Broon's Service-Repair and Service-\$89.70; Fleck Supply Co.-Materials-587.70; Ever Changing Times-Publication-\$589.21; H and H Oil Company-Fuel Oil-11,820.17; Municipal Public Service-Utilities-2,789.30; Best Service Telephone Co.-Telephone Service-\$2,789.30; Best Service Telephone Co.-Telephone Service-\$891.27; All Coverage Insurance Co.-Property Insurance-\$5,981.07; Petty Cash Fund-Postage-\$81.20; Custodian (Advance Payments Account): Tom Johnson-Referee-\$50.00; Jim Clay-Travel Expense-\$837.21; Mary Jones-Entry Fees-\$100.00; Floyd DuLittle-Mileage-\$89.20; Quality Tire Co.-Tires for buses and Cars-\$4,927.80; All Around Counseling Service-First Half - Counseling Service-\$3,500.00; Regular Programs - Salaries and Employee Benefits: Regular Programs-\$406,799.25; Support Services-Pupils-\$1,070.52; Support Services-General Administration-\$5,352.62; Support Services-School Administration-\$6,423.15; Support Services-Business-\$1,284.63; Support Services-Central-\$2,141.05; Community Services-\$4,282.10; Cocurricular Activities-\$856.42; Regional Typewriter Service Co.-Typewriters-\$7,980.00; Top Rte bus Company-Two Buses-\$27,892.20; Smith's Instrument Company-Instruments-\$8,192.30; Comfort Chair Co.-Chairs-\$7,420.18; Brown Sales Agency-Filing Cabinets-\$2,987.20; Minuteman Calculator Co.-Calculators-\$5,169.87; America's Playground Equipment Co-Playground Equipment-\$12,891.26; Dynamic Construction Co.-Gravel and Asphalt-\$6,593.80; John's Supply Co.-Textbooks-\$415.96; Salaries and Employee Benefits-Special Programs-\$7,183.29; Adult Continuing Education Programs-\$719.92; The Surety and Trust Co.-Principal and Interest-All American Food Co.-Food-\$21,892.50; Adams Transportation Co.-Freight-\$1,189.20; Jones Market-Meat-\$2,389.10; True Quality Supply House-Supplies-\$987.10; O'Mally's Table Company-Tables and Chairs-\$5,921.15; Fresh Produce Market-Food-\$7,810.20; Trust and Agency Fund-Payroll-Salaries-Clearing Account-Food Service-\$7,580.38

Motion by Smith, seconded by Schmit, to approve the above claims.

Aye: Doe, Blow, Smith and Schmit

Claims Rejected:

Fitzgerald's Department Store - incorrect invoice.

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 15

SAMPLE MINUTES

(Continued)

National Service Company - this claim is being disputed due to the type of service received.

Motion by Schmit, seconded by Doe, to reject the above claims.

Aye: Doe, Blow, Smith and Schmit

Added and Increased Salaries:

Motion by Doe, seconded by Blow, to approve the following added and increased salaries:

Added:

Lois Moe	Elementary Teacher	\$6,905.00
LeRoy Smoe	Senior High Teacher	\$6,895.00

Increased:

Lisa Kuhn's contract to be increased from \$10,780.00 to \$11,180.00 with the additional job duty of senior high vocal music.

Aye: Doe, Blow, Smith and Schmit

Deposit and Investment Policies:

Motion by Blow, seconded by Smith, to approve the following resolution:

Resolution No. 278

Let it be resolved that the Board of Education of the Sample School District hereby authorizes the business manager for the Sample School District to deposit \$30,000.00, \$10,000.00 \$10,000.00, \$20,000.00 and \$20,000.00 of the General Fund, Capital Outlay Fund, Special Education Fund, Food Service Fund and Trust and Agency Fund, respectively, in time deposits at the National Bank, and to invest \$100,000.00 of General Fund money in U.S. Treasury Bills.

/s/ Lois Smith
Presiding Officer

/s/ Robert Richford
Business Manager

Aye: Doe, Blow, Smith and Schmidt

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 15

SAMPLE MINUTES

(Continued)

Inventory and Capital Asset Policies:

Motion by Blow, seconded by Smith to approve the following resolution:

Resolution No. 279

Resolved, that the following officers and employees shall prepare and file an annual inventory of public personal property in their custody or charge:

The superintendent of schools, the business manager, the head custodian, the head cook, each principal, and each professional staff member,

and shall file the same with the business manger, on July 1, or within ten days thereafter, and be it

Resolved that said inventory be divided to show those components define as supply items and those defined below as capital asset items, together with the "cost" of each item.

Be it further resolved that, in addition to the public personal property inventory, the business manger shall complete and maintain a capital asset inventory record for those capital assets defined as follows:

A capital asset is that which has a tangible nature, has a useful life of more than one year, has an acquisition value as follows:

Land - Any Amount

Buildings, Structures and Land Improvements - \$5,000.00

Machinery and Automotive Equipment - \$4,000.00

Furniture and Equipment - \$500.00

or other assets, as determined by the business manager, over which it is desirable to maintain control, but which may not meet the minimum values defined above. Also, a capital asset should not lose its identity by being incorporated into a larger unit.

/s/ Lois Smith
Presiding Officer

Aye: Doe, Blow, Smith and Schmit

/s/ Robert Richford
Business Manager

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 15

SAMPLE MINUTES

(Continued)

Bid:

Paving of Outdoor Track	
Stern's Contracting Agency	\$3,789.20
Dynamic Construction Company	\$3,729.30
American's Asphalt Company	\$3,281.10

Motion by Smith, seconded by Schmit, to accept the low bid of America's Asphalt Company in the amount of \$3,281.10.

Aye: Blow, Smith and Schmit

Nay: Doe

Executive Session:

Motion by Doe, seconded by Blow to enter Executive Session at 10:45 p.m. to discuss personnel matters.

Adjourned from Executive Session at 11:30 p.m.

Substitute Teachers' Salaries:

Motion by Doe, seconded by Blow, upon the recommendation of the administrative staff to increase the amount of substitutes teachers pay to \$25.00 per day.

Aye: Doe, Blow, Smith and Schmit

Motion by Blow, seconded by Smith, at 11:40 p.m. to adjourn.

Aye: Doe, Blow, Smith and Schmit

/s/ Lois Smith
Presiding Officer

/s/ Robert Richford
Business Manager

SECTION III--ACCOUNTING RECORDS

ILLUSTRATION 16

INDIVIDUAL EARNING RECORD

	Salary	Contract	Units	Absence	Gross	Misc Deducts	FIT	SIT	Soc Sec	Medicare	Retire	Adds	Other Deduct	Net
00282	Employee No. 1													
MTD						GROSS:	2,272.30	0.00	2,405.97	2,405.97	2,673.46			
0.00	2,428.46	245.00	0.00	2.673.46	0.00	260.22	0.00	149.17	34.88	133.67	0.00	310.80	1,784.72	
QTD						GROSS:	6,427.40	0.00	6,807.91	6,807.91	7,610.38			
0.00	7,285.38	325.00	0.00	7.610.38	0.00	722.24	0.00	422.09	98.70	380.51	0.00	932.40	5,054.44	
CYTD						GROSS:	24,956.28	0.00	26,422.37	26,422.37	29,321.23			
0.00	27,971.98	1,349.25	0.00	29.321.23	0.00	2,744.92	0.00	1,638.17	383.10	1,466.09	0.00	3,224.21	19,864.74	
FYTD						GROSS:	12,339.67	0.00	13,073.60	13,073.60	14,678.54			
0.00	14,278.54	400.00	0.00	14.678.54	0.00	1,376.47	0.00	810.55	189.55	733.93	0.00	1,822.66	9,745.38	

	Salary	Contract	Units	Absence	Gross	Misc Deducts	FIT	SIT	Soc Sec	Medicare	Retire	Adds	Other Deduct	Net
00282	Employee No. 2													
MTD						GROSS:	2,272.30	0.00	2,405.97	2,405.97	2,673.46			
0.00	2,428.46	245.00	0.00	2.673.46	0.00	260.22	0.00	149.17	34.88	133.67	0.00	310.80	1,784.72	
QTD						GROSS:	6,427.40	0.00	6,807.91	6,807.91	7,610.38			
0.00	7,285.38	325.00	0.00	7.610.38	0.00	722.24	0.00	422.09	98.70	380.51	0.00	932.40	5,054.44	
CYTD						GROSS:	24,956.28	0.00	26,422.37	26,422.37	29,321.23			
0.00	27,971.98	1,349.25	0.00	29.321.23	0.00	2,744.92	0.00	1,638.17	383.10	1,466.09	0.00	3,224.21	19,864.74	
FYTD						GROSS:	12,339.67	0.00	13,073.60	13,073.60	14,678.54			
0.00	14,278.54	400.00	0.00	14.678.54	0.00	1,376.47	0.00	810.55	189.55	733.93	0.00	1,822.66	9,745.38	

	Salary	Contract	Units	Absence	Gross	Misc Deducts	FIT	SIT	Soc Sec	Medicare	Retire	Adds	Other Deduct	Net
00282	Employee No. 3													
MTD						GROSS:	2,272.30	0.00	2,405.97	2,405.97	2,673.46			
0.00	2,428.46		245.00	0.00	2,673.46	0.00	260.22	0.00	149.17	34.88	133.67	0.00	310.80	1,784.72
QTD						GROSS:	6,427.40	0.00	6,807.91	6,807.91	7,610.38			
0.00	7,285.38		325.00	0.00	7,610.38	0.00	722.24	0.00	422.09	98.70	380.51	0.00	932.40	5,054.44
CYTD						GROSS:	24,956.28	0.00	26,422.37	26,422.37	29,321.23			
0.00	27,971.98		1,349.25	0.00	29,321.23	0.00	2,744.92	0.00	1,638.17	383.10	1,466.09	0.00	3,224.21	19,864.74
FYTD						GROSS:	12,339.67	0.00	13,073.60	13,073.60	14,678.54			
0.00	14,278.54		400.00	0.00	14,678.54	0.00	1,376.47	0.00	810.55	189.55	733.93	0.00	1,822.66	9,745.38